

British government announces unprecedented social cuts

Ann Talbot**21 October 2010**

The Conservative-Liberal Democrat government's autumn spending review has introduced the most savage package of public spending cuts ever seen in Britain. Half a million public-sector jobs will be lost as £83 billion, or \$128 billion, is cut from the budget. Another half million private-sector jobs will go as a result.

Spending for welfare benefits will be slashed by a total of £18 billion between the cuts contained in the spending review and those already made in the emergency budget earlier this year.

The military faces an 8 percent average cut in spending, as major programmes are slashed or postponed under the Strategic Defence Review.

These cuts come on top of the plans inherited from the previous Labour government. Even before the election, the National Health Service was planning to cut £20 billion under Labour spending plans.

The coalition government aims to sharply reduce Britain's £109 billion deficit (\$172 billion) within the next four years. At 11 percent of gross domestic product (GDP), this is one of the highest deficits among OECD countries and the second highest in Europe, after Ireland. Britain's total net debt reached 64.6 percent of GDP, or £952 billion in September. The government borrowed more than £16 billion last month alone. This is the highest September figure on record.

These record levels of debt have put the government under pressure from what the *Financial Times* dubs "bond vigilantes"—major investors who sell treasury bonds to force governments to slash public spending. Greece, Ireland, Portugal and Spain have all come under this type of market pressure and have responded with harsh austerity programmes. Britain's austerity package is proportionately tougher than any of these, but the bond markets and sterling only held stable after Wednesday's announcement.

So much of the plan had been leaked in advance that the markets were not surprised by the measures and had already factored in this level of spending cuts. Traders are now concerned that the speed of the cuts that Chancellor George Osborne has announced may precipitate another recession in Britain.

The average level of cuts is 19 percent across all government departments. But some departments will face much deeper reductions.

The Home Office is to reduce its spending by 23 percent and the Foreign Office by 24 percent. Local authorities will experience a 28 percent cut in the funding they receive from the central government. Universities face a 40 percent cut. The government will reduce the amount it pays per student by £9,000. The Department for Culture, Media and Sport will implement a 41 percent cut. The budget for social housing will be cut by 60 percent.

Housing is one of the worst hit sectors. New social housing tenants will have to pay much higher rents, which will rise to 80 percent of market levels. They will have only short-term tenancies rather than the security of tenure that current residents enjoy. Vulnerable low income people in need of housing will be forced into the private rented sector or face homelessness. Cuts in housing benefit, which allows those with low incomes to rent accommodation, will threaten many tenants with eviction.

The disabled face savage cuts. The Employment and Support Allowance, which assists those who are unable to work because of physical or mental disability, will now be limited to one year. After that, the disabled will be forced to accept work under the same terms as the able-bodied unemployed. Disabled people who currently receive help with mobility costs will lose this allowance if they are in residential care. Many will find themselves effectively imprisoned in their homes.

Senior citizens will be hit by changes in disability

benefits and the increase in the pensionable age from 65 to 66 by 2020. Cuts in local authority spending will hit all disabled and elderly people who depend on council-run services such as transport, day centres, home-based and residential care.

The government claimed that its cuts package would be “fair” and that the burden would be shared by all sections of society. In fact, early calculations based on Treasury figures indicate that the poorest 10 percent of society will be hit hardest by the spending review. The bulk of the cuts will fall on low- and middle-income people. The Institute for Fiscal Studies branded the spending review as “regressive” because the poorest half of society would bear most of the burden.

Schools have been promised a 0.1 percent increase in funding. But the increase will go only to some schools and will have to cover the cost of rising pupil numbers. Most of the so-called extra money will come from savings made elsewhere in the education budget.

An estimated 40,000 teachers are expected to lose their jobs, according to official figures. Funding for 16 to 19-year-olds will be cut. They will lose the Education Maintenance Allowance, which was designed to encourage them to stay in school or vocational training. Both young people and children will suffer from cuts in local authority-funded youth clubs, play schemes, and psychological and social support.

Journalists have likened the government’s policies to those of the 1920s and others to the austerity measures of the post-war Labour government as it struggled to pay off the debts Britain had incurred in World War II. In reality, neither comparison is apt, because the 1945 Labour government created the welfare state at the same time as it imposed fiscal austerity, and in the pre-World War II period the modern welfare state did not yet exist.

Chancellor Osborne’s spending review is an attempt to roll back social gains built up in Britain over the entire period of the Twentieth Century. The measures he announced seek not merely to reduce public spending, but to dismantle the welfare state.

The government has seized the opportunity presented by the financial crisis to engage in a major piece of social engineering that will turn back the clock. The aim of the spending review is to institutionalise and cement in place the gross levels of inequality that have developed over the last three decades. It expresses the economic and social interests of the financial aristocracy that now dominates politics in Britain and globally.

If the scale of the cuts outlined in the spending review is

historically unprecedented, the same must be said of the response from the Labour Party and trade unions. Only between 500 and 2,000 people took part in a union-organised demonstration outside Parliament yesterday. A few similar low-key demonstrations are planned up and down the country in the coming weeks.

Ed Miliband, the Labour Party leader, did not even take part in the demonstrations, breaking a promise to do so. Labour spokesmen have insisted that the opposition supports the objective of cutting welfare, with Shadow Chancellor Alan Johnson accepting the denial of benefits to disabled people under the Disability Living Allowance scheme and the clawing back of £2.4 billion in child tax credits from poor working families.

Former Labour Chancellor Alistair Darling was already committed to making deeper cuts in public spending than those made by Margaret Thatcher in the 1980s. If Labour had won the election, it would have cut at least 20 percent from every department of government.

While the austerity measures of the 1920s led ultimately to the general strike of 1926 and a crisis of rule in Britain, the trade unions are determined that nothing of the kind should happen in response to the coalition government’s attacks on the jobs and living standards of working people.

Lord Fowler, who under Margaret Thatcher was secretary of state for health and social security, and later employment secretary, has warned of union unrest. “We are in for a turbulent period of demonstrations, protests and industrial action”, he said. But the trade unions have not made any such threats.

The union leaders do not dispute the need to cut a budget deficit that was incurred by bailing out the banks and fighting a decade-long war in Iraq and Afghanistan, fearing only that cuts made too quickly threaten a recession.

Opposition to the spending review cannot come through either the Labour Party or the trade unions. Resistance will only be possible by a rebellion against organisations dedicated to the suppression of the class struggle.



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